

AR02

ANNUAL  
REPORT

# YELLOWKNIFE BEAR

MINES LIMITED

FOR THE YEAR ENDED JUNE 30<sup>th</sup>

1971







# Yellowknife Bear Mines Limited

## **DIRECTORS**

HANS H. ESTIN, *Boston, Mass., U.S.A.*  
J. H. GRAY, *Oakville, Canada*  
LEWIS B. HARDER, *New York, N.Y., U.S.A.*  
WILSON E. MCLEAN, *Q.C., Toronto, Canada*  
J. F. PAXTON, *Oakville, Canada*  
R. G. PRICE, *P.Eng., Calgary, Canada*  
W. E. REARDEN, *Toronto, Canada*  
J. BRADLEY STREIT, *Toronto, Canada*  
J. DOUGLAS STREIT, *Toronto, Canada*

## **OFFICERS**

J. DOUGLAS STREIT, *P.Eng., President, Toronto, Canada*  
R. G. PRICE, *P.Eng., Vice-President, Calgary, Canada*  
J. F. PAXTON, *Treasurer, Oakville, Canada*  
W. E. REARDEN, *Secretary, Toronto, Canada*

## **CONSULTING ENGINEER**

L. G. PHELAN, *M.A.Sc., P.Eng.*

## **TRANSFER AGENTS AND REGISTRARS**

GUARANTY TRUST COMPANY OF CANADA  
88 University Ave., *Toronto 1, Ontario*

GUARANTY TRUST COMPANY OF CANADA  
311 - 8th Avenue West, *Calgary, Alberta*

REGISTRAR AND TRANSFER COMPANY  
140 Cedar Street, *New York, N.Y., U.S.A. #10006*  
15 Exchange Place, *Jersey City, N.J., U.S.A. #07302*

## **SOLICITORS**

MCLEAN, LYONS AND KERR, *Toronto, Ontario*

## **BANKERS**

CANADIAN IMPERIAL BANK OF COMMERCE, *Toronto, Ontario*  
THE TORONTO-DOMINION BANK, *Toronto, Ontario*

## **AUDITORS**

JOHNSON, STEWART, BOURNE, BROWN & COMPANY  
*Toronto, Ontario*

## **HEAD OFFICE**

360 Bay Street, *Toronto 1, Ontario, Canada*



# Yellowknife Bear Mines Limited

TO THE SHAREHOLDERS,  
YELLOWKNIFE BEAR MINES LIMITED.

Your Directors are pleased to present their report for the year ended June 30, 1971, together with detailed Financial Statements, Balance Sheet and Auditors' Report for the past fiscal year.

## FINANCIAL

The Schedule of Marketable Investments and Current Assets, minus Liabilities as of June 30, 1971 amounted to \$26,596,564.00, as compared to \$18,730,188.00 as of June 30, 1970, an increase of over 7¾ million dollars, or 42%. The above figures do not include 1,700,000 gross barrels of light oil reserves, or various potential oil, gas or mining properties which your Company owns.

During the year General Development Corporation paid a 2% Stock Dividend amounting to some \$302,440.00 at the current price of General Development Stock on the New York Stock Exchange. The Stock Dividend is not included in the Statement of Earnings of your Company, but was taken into the Investment Account.

As of June 30th, 1971, the Company's tax position was under review by the Income Tax Department. It has been indicated that the Department proposes to tax some of the gains in our Investment Portfolio. The years under review are 1967, 1968, 1969 and 1970, and the Department has indicated that the proposed tax liability, if assessed, would be approximately \$430,000.00. If such an event occurs, the Company has been advised by Counsel to oppose such assessment.

Dividend payments inaugurated in 1953 have been made by Yellowknife Bear in seventeen of the last nineteen years and without interruption for the last thirteen years.

## INVESTMENTS

### General Development Corporation

Your Company holds 541,216 shares (including a 2% Stock Dividend, June 29th, 1971) of General Development Corporation. With sound management and conservative fiscal policies General Development has increased sales nearly four-fold during the five year period from 1965 through 1970. Sales rose from \$33,136,000 in 1965 to \$120,469,000 in 1970. Net Income rose from 27¢ per share in 1963 to \$1.73 per share in 1970. Based on earnings of \$.95 cents per share in the first six months in 1971 we would expect earnings of General Development to exceed \$2.00 per share for the 1971 year.

### Midcon Oil & Gas Limited

Midcon and its partner Pembina Pipe Lines Limited each own a 50% interest in South Alberta Pipe Lines Limited, which supplies gas under long-term contract to the City of Medicine Hat and to the Northwest Nitro-Chemicals Limited fertilizer manufacturing plant at Medicine Hat. South Alberta operates a 10½ inch-diameter pipeline which transports gas 45 miles from the Etzikom gas field (owned by Midcon and Pembina) to Medicine Hat and also operates a 14-mile 8-inch trunk line and a gas gathering system in the Medicine Hat gas field. This pipeline system represents a total investment of over 2.2 million dollars.

For the fiscal year ended March 31st, 1970 South Alberta gas sales were 2.861 billion cubic feet. The gas is now sold to Northwest Nitro at 15.5¢ per M.C.F., but this price will increase to 17.0¢ per M.C.F. on October 1st, 1971, which will increase Midcon's gas sales income for the next year.

Midcon and Pembina Pipe Lines Limited also own about 60,000 acres of Natural gas leases in the Medicine Hat area. Midcon and Pembina Pipe Lines have formed the Seven Persons Creek unit in the South-West section of the Medicine Hat field from which Midcon produces Medicine Hat zone gas.



In addition, Midcon owns about 30,000 acres of shallower Milk River zone gas rights in this area. Other operators, including Alberta Eastern Gas Limited and Atlantic Richfield, have started to develop Milk River gas reserves in South-Eastern Alberta during the past two years. Based on their results, it appears Midcon may have substantial new Milk River gas reserves available from its leases, but until an additional economic market is available for this gas, Midcon does not intend to develop it. There are at present no export gas pipelines tied into the Medicine Hat area system and they have tied in sufficient reserves to meet area requirements. With the ever increasing demand for gas supplies for export, an economic market may result for Milk River reserves developing within the next year or two.

## **EXPLORATION**

In 1968 Atlantic Richfield discovered a major oilfield at Prudhoe Bay on the Alaska north slope. This discovery had a profound effect on the Canadian Oil and Gas industry and within a fairly short time resulted in the emphasis on new exploration effort shifting from Alberta to the Northwest Territories and the Arctic Islands. Yellowknife Bear had a 471,314 acre land spread in the MacKenzie Area of the Arctic mainland prior to the Prudhoe discovery. Since that date, we have aggressively expanded our land position in the north with acquisitions in the Western Arctic Islands in the fall of 1968, in the Baffin Island area in March 1969, in the Great Bear Lake area in mid 1969 and in the Norman Wells area of the upper MacKenzie valley during the past year.

### **Western Arctic Islands**

Yellowknife Bear holds 482,223 acres of Federal Government Petroleum Permits in four different areas of the Canadian Arctic Islands. Midcon Oil & Gas (in which Yellowknife Bear holds 31.12% interest) and Inter-Rock Oil Co. of Canada Ltd., (a Midcon subsidiary) hold an additional 260,797 acres of Arctic Permits. These permits which are shown on Map #1, were carefully selected to give your Company broad coverage along the geological trend which runs from Prudhoe Bay on the North coast of Alaska east to the MacKenzie River delta then northeast across the Canadian Arctic Islands.

Panarctic Oils Ltd., has completed the drilling of ten wildcat wells in the Arctic Islands in the past three years and has made significant natural gas discoveries at both the Drake Point and King Christian Island wells. According to some reports, the latter well has discovered a gas field so large it may double Canada's natural gas reserves.

The high success ratio of Panarctic has stimulated increased interest in the Arctic Islands. Imperial Oil recently entered the Arctic Island play for the first time under a farmout deal from Panarctic. This involves wells on Devon Island, on the Hoodoo Dome structure of Ellef Rignes Island, and additional seismic work on Ellef Rignes and Axel Heiberg Islands. Elf Oil recently announced a well will be drilled next winter on Banks Island. The Arctic Island permit blocks of Yellowknife Bear and its associated companies will receive considerable exposure from this increasingly active Arctic exploration program. All these Arctic Island permits shown on Map #1, have been farmed out to Sun Oil Co. Ltd., and Sun can earn a half interest in the permits by carrying out a stipulated minimum exploratory program to completion by August, 1974. In the meantime, the permits are carried at no cost to Yellowknife Bear and its associated companies.

### **Baffin Island**

Yellowknife Bear holds 310,776 acres of federal permits off the east coast of Baffin Island and Midcon and Inter-Rock hold 96,146 acres of permits in this same general area. There has been a permit rush off Baffin Island by Major oil companies during the past few months. Shell Oil filed federal permits covering about 21.5 million acres, part of which is in a block offsetting Midcon and Inter-Rock to the east, and is Northeast of the Yellowknife Bear Permits. In addition, Hudson's Bay, Imperial Oil, Getty Oil and Cities Service have all obtained positions in this area during the past year, either by the filing or farming route. This increased interest will result in valuable exploration exposure for our permits. The Baffin Island holdings are shown on an insert to Map #1.

### **Great Bear Lake Area — Map #3**

In the summer of 1969, Yellowknife Bear obtained a  $\frac{1}{3}$  interest in 861,687 acres of Petroleum Permits along the south-west Shore of Great Bear Lake jointly with Alminex Ltd., and Canadian Export Gas and Oil. Midcon and Inter-Rock also hold 319,411 acres of permits in this area.



Under management of Alminex, a group which includes Yellowknife Bear, Midcon, Inter-Rock, Canadian Export and Ram Petroleum engaged Teledyne Exploration to conduct a marine seismic survey over these permits which together comprise 1,420,909 acres. This survey which was originally scheduled for 1970 had to be postponed one year but field work was completed in August of 1971. We are now waiting for the interpretation from our seismic consultants.

These Great Bear Lake permits were acquired by Yellowknife Bear in 1969, for their exploration development potential and because your Directors believe the MacKenzie Valley may possibly be the route of a gas pipeline from the vast Prudhoe Bay gas reserves to the south 48 United States, thus offering a market outlet for any gas discovered in this area. Our objective now is to find gas or oil in commercial quantities on our large block of permits which appears to hold considerable geological promise.

### **MacKenzie Delta Area**

Map #2 shows a 471,314 acre permit spread held 100% by Yellowknife Bear Mines Limited. This block is located about 100 miles east of Inuvik and 60 miles south-east of the Imperial Oil Mayogiak well which disclosed two oil zones in April and June of this year. Imperial Oil also confirmed natural gas and condensate in their Taglu wildcat, 50 miles west of the Mayogiak discovery in June 1971. Yellowknife Bear farmed out their block on February 3rd, 1971, to Texaco Canada under a seismic drilling option. Texaco carried out 600% C.D.P. seismic and gravity meter surveys on the southwest portion of this block with a tie line to the C.P.O.G. Crossley Lake well. Texaco Canada had until July 31st, 1971 to elect to earn a half interest in half this block by committing to drill, but Texaco elected not to drill. As a result, Texaco have turned all their seismic data over to Yellowknife Bear, having failed to earn any interest in the lands. Your Company is currently engaged in interpreting this Texaco seismic data and on completion of this evaluation, will entertain farmout negotiations on the land. At least three companies have expressed interest in a farmout on this block.

### **Cold Lake, Alberta — Map #4**

Yellowknife Bear has held 3,360 acres of Petroleum and Natural Gas Leases in the Cold Lake Area of Alberta (some 75 miles north of the Lloydminster heavy oil field) since 1953.

These lands are underlain by two relatively shallow oil-bearing sands: The Sparky at about 1,200 feet and the Cummings at about 1,350 feet. The gas-bearing colony sand, overlies these oil-bearing sands, at a depth of 750 feet. The 11° to 12° A.P.I. gravity crude is nearly immobile at reservoir temperatures (55°) but application of heat causes a dramatic decrease in viscosity, converting the oil to a mobile fluid.

Yellowknife Bear has participated in two steam injection secondary recovery pilot projects at Cold Lake since 1965, the first with Great Plains and North Western Refining and the second with Great Plains and Mobil Oil. We produced a total of about 100,000 bbls. of 11 to 12 gravity oil from the two schemes by "huff and puff" and steam flood methods, but shut down the second pilot in September, 1970 because at that time the price of this oil was only \$1.58 per bbl., at Lloydminster and the project was clearly not economic. Imperial Oil who hold the offset lease block immediately north of our Cold Lake acreage, also operated a steam injection secondary recovery project at Cold Lake during the 1965-1970 period and also shut down their pilot late in 1970.

There has now been a 40¢ per bbl., increase in the price of Lloydminster Crude and as a result, Imperial Oil plan to reactivate their Cold Lake project and have invited other companies to participate by paying a share of the cost in return for information. Yellowknife Bear has not yet decided whether or not to participate with Imperial Oil in their pilot scheme. In any event, we have demonstrated that it is technically possible to produce Cold Lake oil by steam injection and an enormous reserve of heavy oil is available from this source if a high enough market price can be obtained for the oil. Even at \$1.98 per bbl. Cold Lake oil is probably not economic, but with the ever increasing energy requirements of North America it is quite conceivable that another substantial oil price boost could occur within the next few years. This would make the enormous reserves of the Cold Lake area economic. The Yellowknife Bear and Imperial Oil leases blanket an area which contains a predominate section of oil bearing sand in the Cold Lake area. Thus, when and if crude oil price increases make recovery of Cold Lake Oil reserves economic, Yellowknife Bear will have one of the best sites for a steam injection secondary recovery operation in the entire district.



### **Norman Wells Area — Map #3**

In December 1970, Yellowknife Bear in association with Canadian Delhi Oil Ltd., and Michigan Wisconsin Pipeline Co., entered into a multi-well farmout option deal which if carried to completion will enable us to earn an interest in about 525,000 acres of MacKenzie Valley permit lands in the Fort Norman area through participating in drilling a number of wildcat wells. As part of the farmout, we were able to purchase over 400 miles of C.D.P. seismic data on these permits which we have since supplemented with further seismic shooting. At a later date a second group consisting of Alminex Ltd., Husky Oil and Ashland Oil Canada Ltd., bought into the deal and joined our group. We now have the technical expertise of all six companies being applied to an exploration program on this half million acre spread.

Three wells were drilled during the 1970-1971 winter drilling season, resulting in abandonments at Keele River and Police Island and an oil discovery at the East MacKay well.

The East MacKay venture was the first wildcat to recover oil in the MacKenzie River Valley since the discovery of the Norman Wells oilfield 50 years ago. It will take a considerable amount of further exploration to evaluate the extent and potential of this reservoir, but it is significant that oil has been recovered in the area and from a formation other than that which produces oil at Norman Wells.

Through its participation in drilling the three wells last winter, Yellowknife Bear earned a 3.125% interest in 83,335 acres surrounding the Keele River well, a 6.35% interest in 27,332 acres around the Police Island well and a 6.25% interest in 54,703 acres around the East MacKay discovery.

Our group has now committed to drill three additional wildcat wells this winter (all on seismic features) to earn interests in other permits in this area still under drilling option.

The East MacKay well has stimulated exploration interest in this area and in addition to our wildcat program this winter, at least two other wells will be drilled in this district. L. L. and E. will drill a farmout well on a Shell permit which offsets our East MacKay permit to the south and the Aquataine Mobil Oil Amerada team will drill in this general area at an as yet unspecified location.

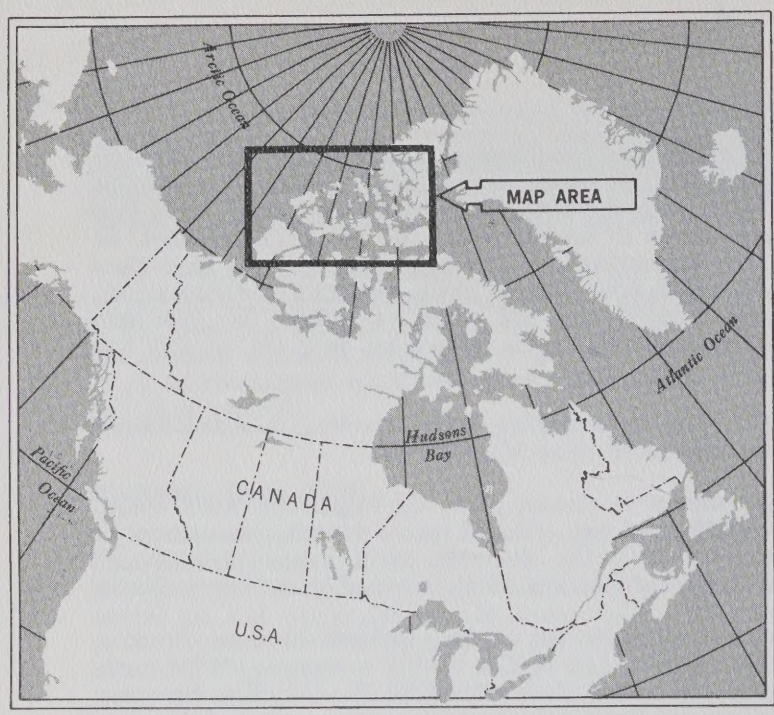
On behalf of the Board of Directors,

J. DOUGLAS STREIT,

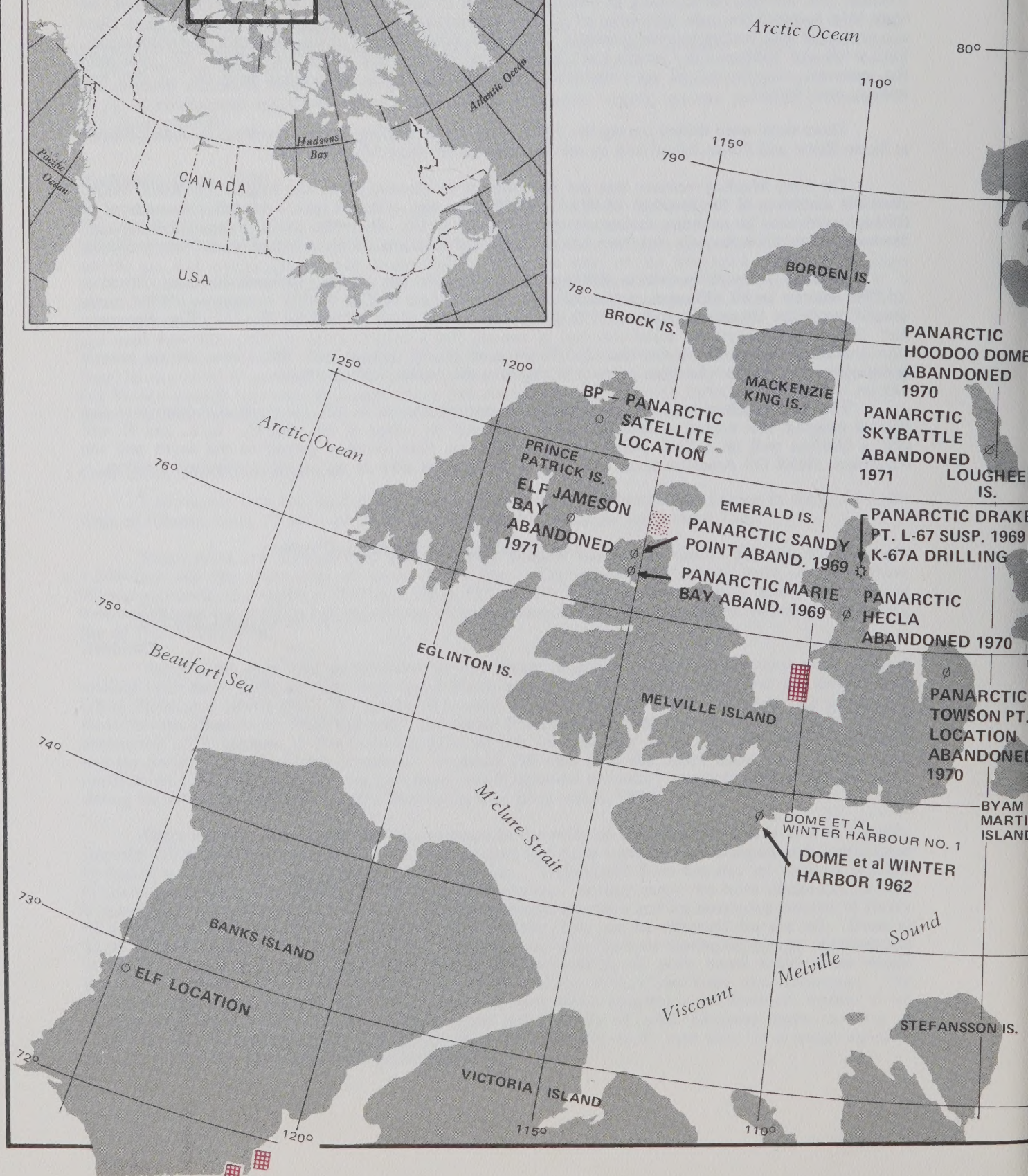
President.

September 7th, 1971,  
Toronto, Ontario.

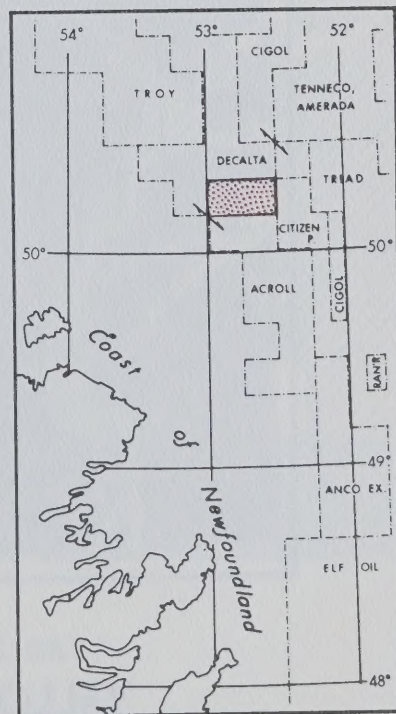
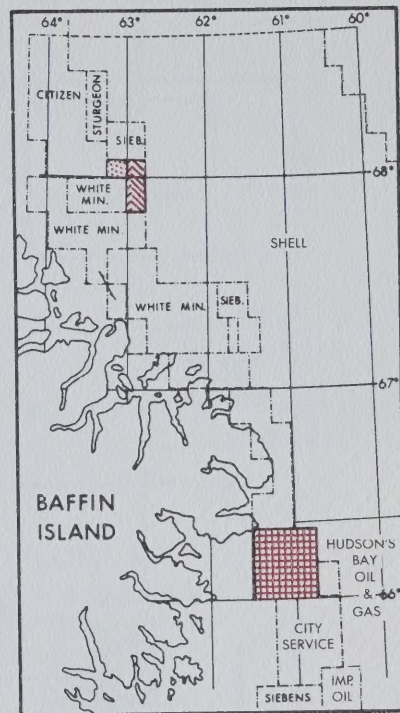
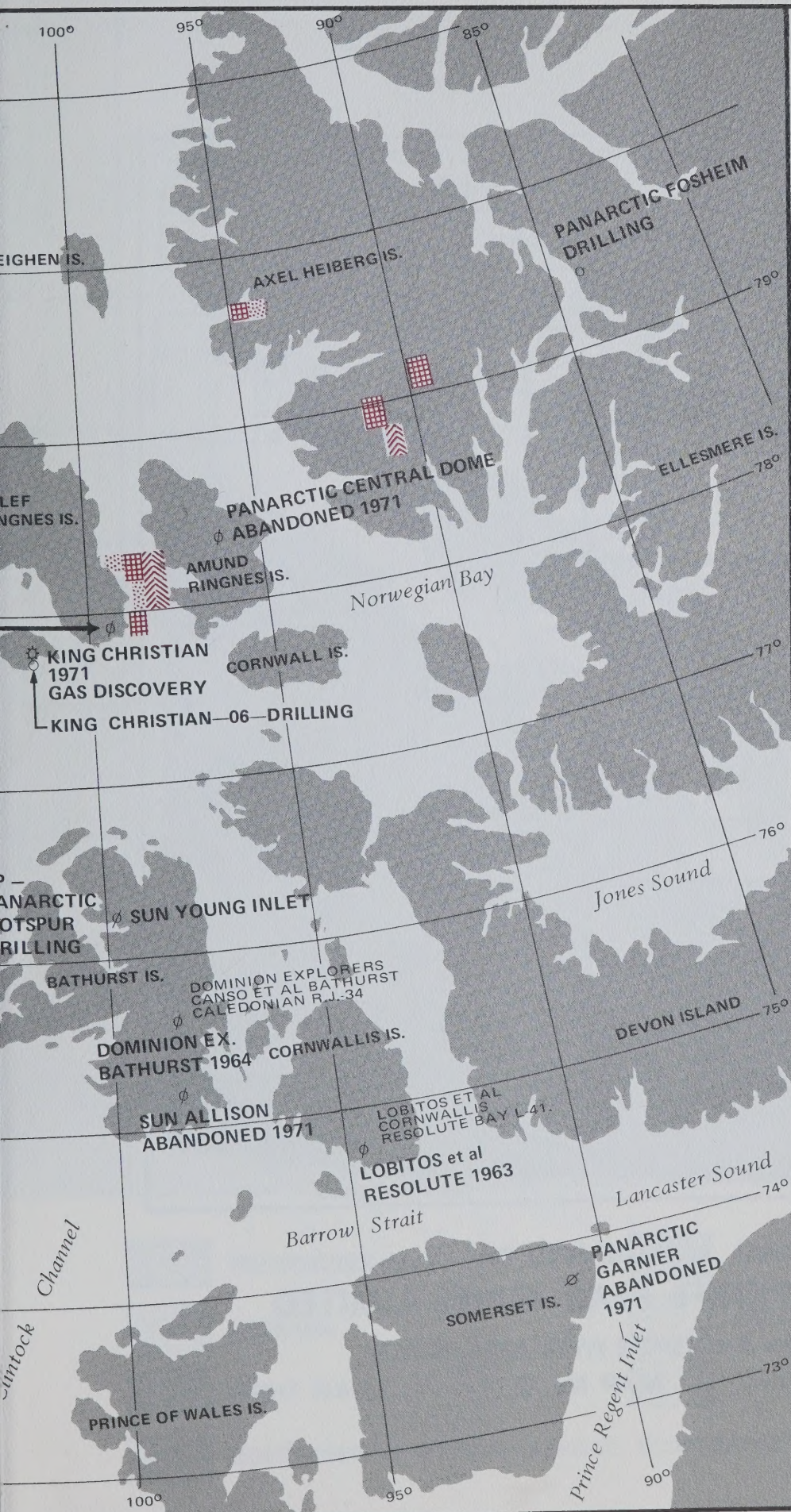




- YELLOWKNIFE BEAR
- MIDCON PERMITS
- INTER - ROCK







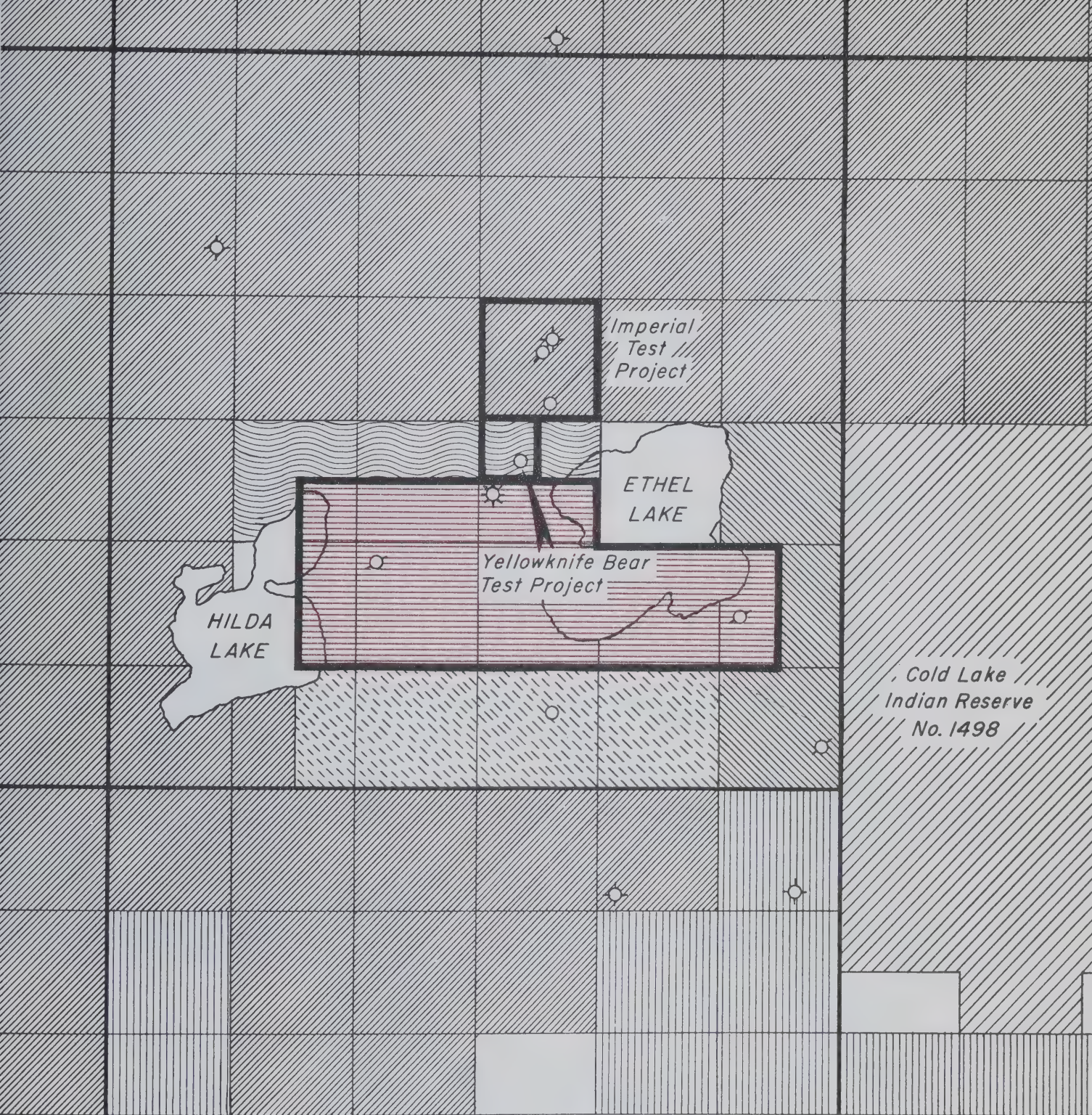
**WESTERN  
ARCTIC ISLANDS**

**MAP 1**



## MAP No. 2





YELLOWKNIFE BEAR



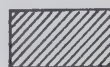
AMERADA



GREAT PLAINS



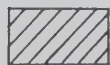
NORTHWESTERN REFINING-McWOOD CORPORATION



IMPERIAL OIL



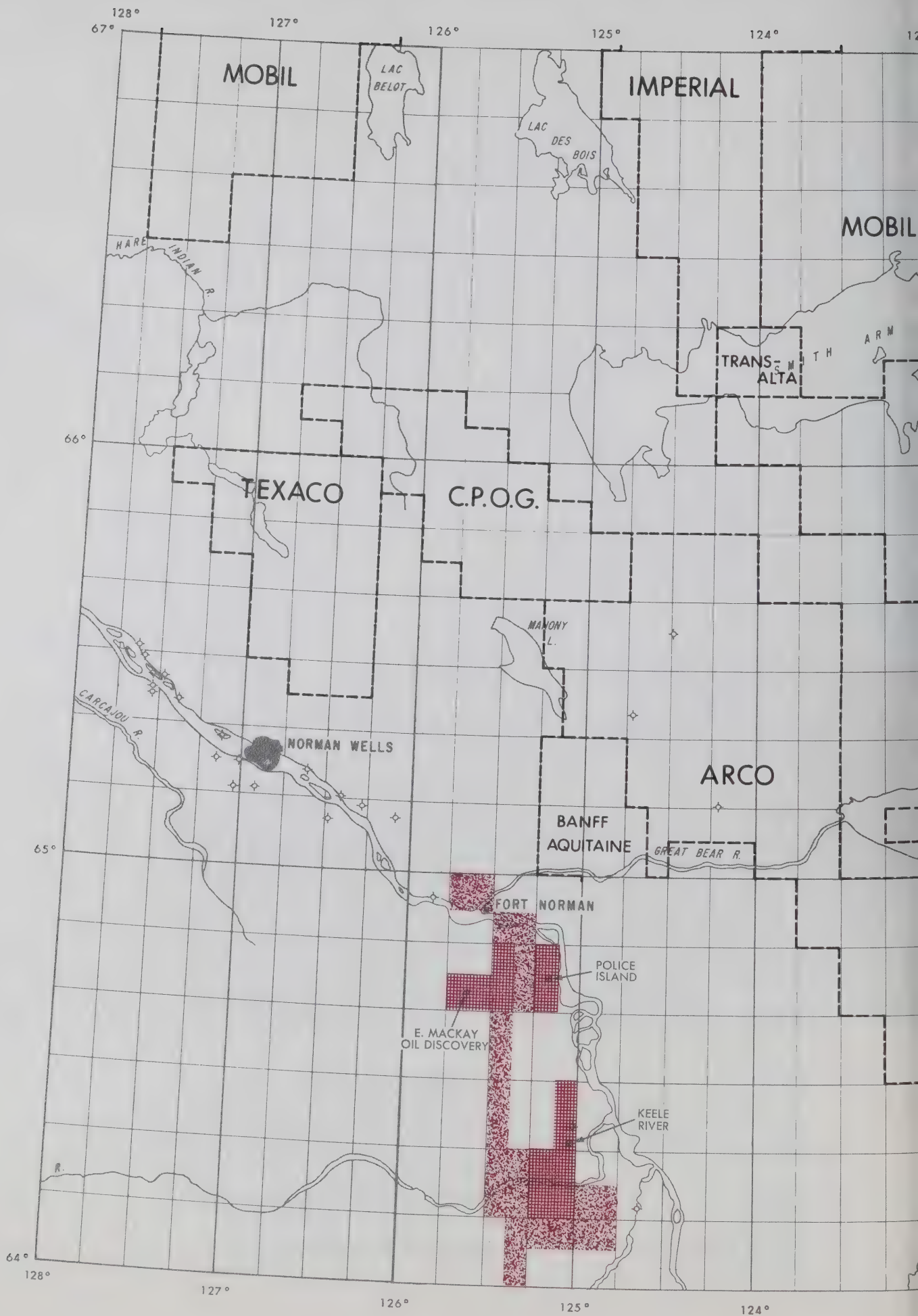
SOCONY MOBIL



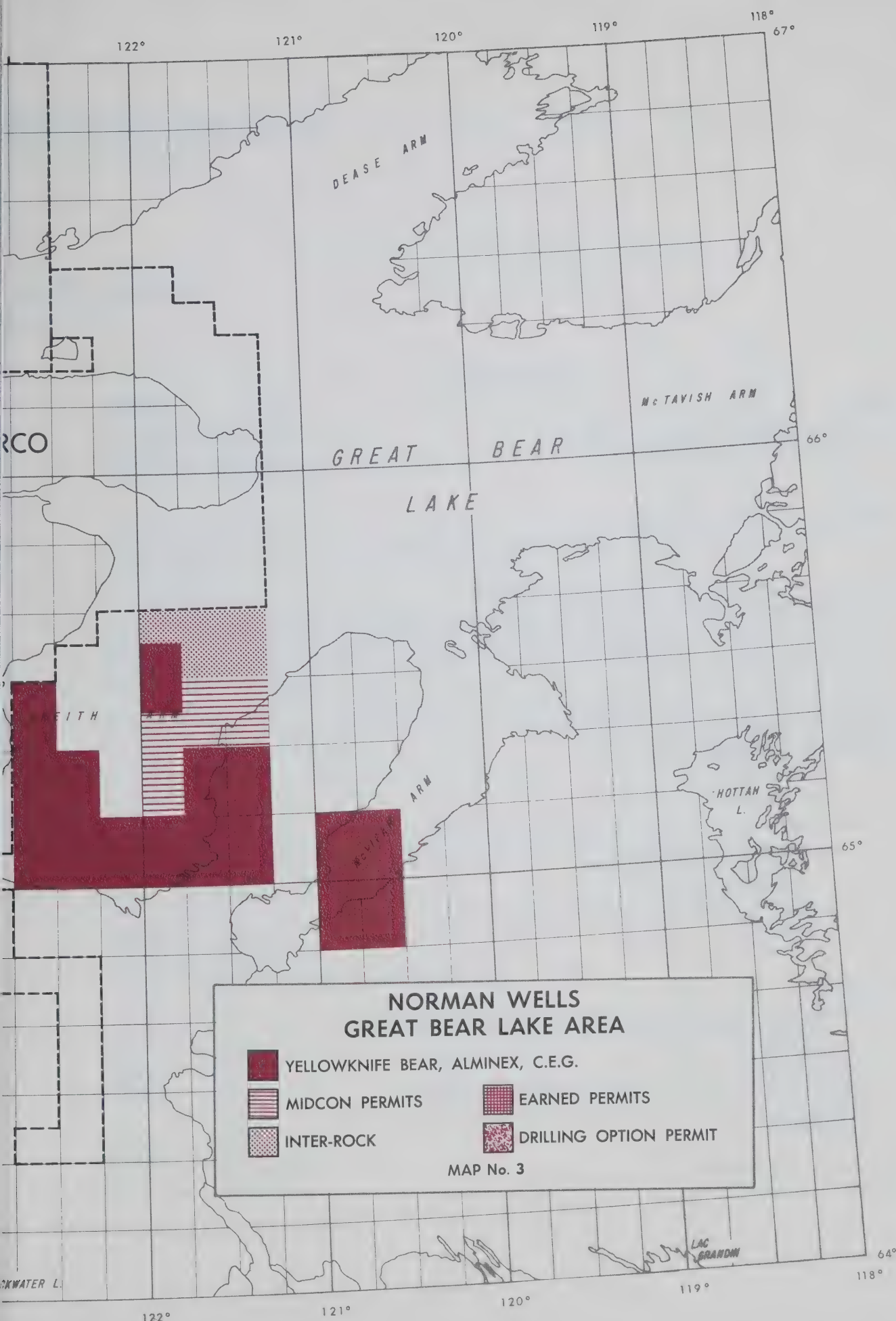
TRIAD-BP

MAP NO. 4














### NORMAN WELLS GREAT BEAR LAKE AREA

- |   |                                   |   |                        |
|---|-----------------------------------|---|------------------------|
|  | YELLOWKNIFE BEAR, ALMINEX, C.E.G. |  | EARNED PERMITS         |
|  | MIDCON PERMITS                    |  | DRILLING OPTION PERMIT |
|  | INTER-ROCK                        |   |                        |

MAP No. 3



# Yellowknife Bear

(Incorporated under the Law of the Northwest Territories)

## Balance Sheet as at December 31, 1970

(With comparative figures for 1971)

ASSETS		1971	1970
<b>Current</b>			
Cash and interest bearing term deposits		\$ 1,404,467	\$ 1,327,971
Sundry receivable and prepayments		118,363	125,870
		<u>\$ 1,522,830</u>	<u>\$ 1,453,841</u>
<b>Marketable Investments, at cost</b>			
(Quoted market value \$25,088,734; 1970 — \$17,276,347)		\$ 8,698,001	\$ 9,224,521
<b>Interests in Oil and Natural Gas Properties (Note 2)</b>			
Oil and natural gas reservation, at nominal value		\$ 1	\$ 1
Oil and natural gas reservations, leases and exploratory permits, at cost		1,504,832	1,505,332
Oil well development and equipment, at cost — less net income to date		941,524	744,932
		<u>\$ 2,446,357</u>	<u>\$ 2,250,265</u>
<b>Investments in Subsidiary and Other Companies, at Cost Less Amounts Written Off or Reserved (per schedule)</b>			
<b>Subsidiary Companies (Note 1)</b>			
— Shareholdings		\$ 5	\$ 5
— Cash advances		4	5
<b>Other Companies</b>			
— Shareholdings, less allowance for decline in value of \$123,143; 1970 — \$116,123		146,420	143,340
— Cash advances		5,073	5,173
— Cash advances to Columbia Metals Corporation Limited (Note 3)		383,462	383,462
		<u>\$ 534,964</u>	<u>\$ 531,985</u>
<b>Other Assets</b>			
Drilling deposit (represented by Government of Canada bonds, at cost, par value \$6,000 — quoted market value \$3,480; 1970 — \$3,000)		\$ 4,830	\$ 4,830
Mining properties, at cost		16,981	57,131
Deferred mining, exploration and development expenditures		312,538	312,538
Fixed assets, at cost (less accumulated depreciation of \$6,246; 1970 \$3,200)		9,759	12,799
		<u>\$ 344,108</u>	<u>\$ 387,298</u>
		<u>\$13,546,260</u>	<u>\$13,847,910</u>

This is the balance sheet referred to in our prospectus.



# Mines Limited

(the Province of Ontario)

*June 30, 1971*  
(figures for 1970)

## LIABILITIES

### Current

	1971	1970
Accounts payable .....	\$ 15,258	\$ 32,315

## SHAREHOLDERS' EQUITY

### Capital Stock

#### Authorized

5,000,000 shares — par values \$1 each

#### Issued and Fully Paid

4,814,041 shares ..... \$ 4,814,041 \$ 4,814,041

Retained Earnings .....	8,716,961	9,001,554
	<u>\$13,531,002</u>	<u>\$13,815,595</u>

The accompanying notes form an integral part of the financial statements and should be read in conjunction therewith.

Approved on behalf of the Board:

J. DOUGLAS STREIT, President.

W. E. REARDEN, Secretary.

<u>\$13,546,260</u>	<u>\$13,847,910</u>
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Report to the shareholders dated July 26, 1971.



**JOHNSON, STEWART, BOURNE, BROWN & CO.**

Chartered Accountants

335 Bay Street  
Toronto 1, Canada

To the Shareholders of

YELLOWKNIFE BEAR MINES LIMITED:

We have examined the balance sheet of Yellowknife Bear Mines Limited as at June 30, 1971 and the accompanying statements of income and expense, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at June 30, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

JOHNSON, STEWART, BOURNE, BROWN & CO.,

Chartered Accountants.

Toronto, Ontario,  
July 26, 1971.



# Yellowknife Bear Mines Limited

## SCHEDULE OF MARKETABLE INVESTMENTS

As at — June 30, 1971

	No. of Shares	Cost	Market Value
Advocate Mines Ltd. ....	15,000	\$ 40,989	\$ 33,750
Alcan Aluminium Ltd. ....	10,000	243,155	225,000
Alleghany Corp. ....	10,000	182,773	143,100
Alminex Ltd. ....	181,600	425,682	1,071,440
Atlas Yellowknife Mines Ltd. (566,250 escrowed) ....	1,000,000	50,000	30,362
Bell of Canada — common .....	15,000	767,917	695,625
— Pfd. \$3.20 .....	1,000	47,132	52,000
Broulan Reef Mines Ltd. ....	86,200	122,404	21,550
Brunswick Mining & Smelting Corp. ....	5,000	71,725	30,000
Canadian Pacific Investments Ltd. 4¾ convertible Pfd. ....	2,000	45,193	46,250
Canadian Pacific Limited \$3.00 Pfd. ....	15,000	153,878	161,250
Central-Del Rio Oils Ltd. ....	5,000	77,750	75,000
Cerro Corporation .....	18,411	679,529	289,421
Chib-Kayrand Copper Mines Ltd. ....	93,750	59,850	6,562
Cominco Ltd. ....	15,000	664,429	345,000
Copperweld Steel Co. ....	2,000	60,733	30,400
Du Pont of Canada Ltd. ....	1,000	35,831	15,250
Du Pont (E. I.) De Nemours .....	2,500	394,060	359,150
Ex-Cell-O Corporation .....	5,000	133,677	98,400
Falconbridge Nickel Mines Ltd. ....	1,000	83,500	114,000
General Development Corp. ....	541,216	5,000	16,777,696
Gulf Oil Canada Ltd. ....	8,000	142,090	173,000
INA Corporation .....	10,000	358,183	509,900
Imperial General Properties Ltd. ....	15,000	94,676	60,000
International Nickel Co. of Canada Ltd. ....	2,500	82,238	96,250
International Paper Co. ....	2,500	88,614	89,450
Kawecki Berylco Industries .....	15,009	303,164	218,681
Midcon Oil & Gas Ltd. ....	1,338,240	688,514	669,120
Newmont Mining Corporation Series A convertible \$4.50 Pfd. ....	4,250	412,756	469,327
Northgate Exploration Ltd. ....	4,400	53,186	42,680
Opemiska Copper Mines (Que.) Ltd. ....	10,000	91,265	105,000
St. Regis Paper Co. ....	2,500	89,052	93,300
Santa Fe Industries .....	10,000	251,744	292,600
Scott Paper Ltd. ....	4,000	134,793	89,960
Seaboard Coastline Industries .....	4,000	187,196	234,640
Slater Steel Industries Limited .....	10,000	134,605	115,000
Southern Pacific Co. (Delaware) .....	10,000	460,022	425,600
Steel Company of Canada Ltd. ....	10,000	248,759	256,250
Union Pacific Corporation .....	9,000	531,937	526,770
		<u>\$8,698,001</u>	<u>\$25,088,734</u>



# Yellowknife Bear Mines Limited

## STATEMENT OF RETAINED EARNINGS

For the Year Ended June 30, 1971

(With comparative figures for 1970)

	1971	1970
<b>Balance — Beginning of the Year</b> .....	\$9,001,554	\$9,583,636
<b>Add:</b> Profit for the year .....	114,356	—
Net gain on sale of investments .....	40,099	—
	<u>\$9,156,009</u>	<u>\$9,583,636</u>
<b>Deduct:</b> Net loss for the year .....	\$ —	\$ 67,968
Net loss on sale of investments .....	—	27,559
Dividends declared and paid .....	385,123	385,123
Write down of investments in subsidiaries — cash advances .. (	758)	1,131
Adjustment for the year in the allowance for decline in value of investments in other companies .....	7,019	48,107
Cost of mining claims abandoned .....	47,085	14,055
Cost of oil and natural gas reservations, leases and exploratory permits written off .....	579	23,259
Cost of well costs abandoned .....	—	14,880
	<u>\$ 439,048</u>	<u>\$ 582,082</u>
<b>Balance — End of the Year</b> .....	<u>\$8,716,961</u>	<u>\$9,001,554</u>

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 1971

NOTE 1: Consolidated financial statements were not prepared for the reason that the assets of certain subsidiary companies consist principally of unpatented and unproductive mining properties for which shares of the capital stock of the subsidiaries have been issued at varying prices. It is the opinion of the Company's directors that consolidated financial statements would not truly reflect the position of the company's affairs.

NOTE 2: No provision has been made for the depletion of lease acquisition costs.

NOTE 3: Cash advances to Columbia Metals Corporation Limited, in the amount of \$383,462 the bulk of which was made in the years 1951-53, are repayable, without interest, only out of production and are due by instalments equal to 10% of net smelter receipts. Columbia has borrowed \$150,000 from a chartered bank in order to achieve production and your company has agreed to postpone payment of the advances until the bank loan is retired.

NOTE 4: The aggregate remuneration paid to Directors and Senior Officers as defined by the Business Corporations Act, 1970, amounted to \$16,487.

NOTE 5: As at June 30, 1971 the company's tax position was under review by the Income Tax Department. As at the date of this report no additional taxes have been assessed or proposed to be assessed.



# Yellowknife Bear Mines Limited

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended June 30, 1971

(With comparative figures for 1970)

Source of Funds	1971	1970
From operations		
Net profit for year before provision for depreciation of \$3,040 ..	\$ 117,396	\$ —
Proceeds from sale of investments .....	901,389	27,001
Research and development grant .....	29,742	12,250
	<u>\$1,048,527</u>	<u>\$ 39,251</u>
<b>Application of Funds</b>		
From operations		
Net loss for year before provision for depreciation of \$3,200		
— 1970 .....	\$ —	\$ 64,768
Purchase of investments — marketable .....	334,770	1,200,513
— other .....	10,100	10,100
Cash advances to subsidiary and other companies .....	( 858)	5,055
Purchase of interest in oil and natural gas reservations, leases and exploratory permits .....	79	488,501
Oil well development and equipment expenditures .....	226,334	121,696
Dividends declared and paid .....	385,123	385,123
Purchase of mining claims .....	6,933	6,000
	<u>\$ 962,481</u>	<u>\$2,281,756</u>
<b>Working Capital Increase (Decrease) .....</b>	<b>\$ 86,046</b>	<b>(\$2,242,505)</b>
Working capital — beginning of year .....	1,421,526	3,664,031
<b>Working Capital — End of Year .....</b>	<b><u>\$1,507,572</u></b>	<b><u>\$1,421,526</u></b>



# Yellowknife Bear Mines Limited

## STATEMENT OF INCOME AND EXPENSE

For the Year Ended June 30, 1971

(With comparative figures for 1970)

Income	1971	1970
Participation in Oil Revenue after deducting royalties and production expenses .....	\$ 96,315	\$ 85,038
<b>Deduct</b> — Oil and gas exploration expenses .....	132,114	383,761
<b>Net Oil Operating (Loss)</b> .....	<u>(\$ 35,799)</u>	<u>(\$ 298,723)</u>
<b>Other Income</b>		
Dividends received from Canadian Corporations .....	\$ 154,275	\$ 151,026
Dividends received from Foreign Corporations — net .....	136,407	152,082
Interest earned .....	73,853	178,973
Gain (loss) on foreign exchange .....	2,023	( 33,797)
	<u>\$ 366,558</u>	<u>\$ 448,284</u>
<b>Exploration and Development Expenses — Mining</b>		
Engineering fees and expenses .....	\$ 693	\$ 1,709
Mining exploration .....	115,852	111,542
Maps and blueprints .....	—	34
Taxes and licenses .....	1,137	2,821
	<u>\$ 117,682</u>	<u>\$ 116,106</u>
<b>General and Administrative Expenses</b>		
Depreciation .....	\$ 3,040	\$ 3,200
Directors' fees .....	3,100	3,000
General and office .....	14,204	11,948
Interest and bank charges .....	1,734	2,142
Legal and audit .....	7,651	6,609
Rent and office services .....	11,265	10,200
Salaries — management and office .....	13,387	18,017
Share certificate expense .....	1,485	3,214
Shareholders' reports and information .....	10,050	11,525
Telephone and telegraph .....	904	1,398
Transfer and registrar expense .....	29,205	28,498
Travel .....	2,696	1,672
	<u>\$ 98,721</u>	<u>\$ 101,423</u>
<b>Profit (Loss) for the Year</b> .....	<u><u>\$ 114,356</u></u>	<u><u>(\$ 67,968)</u></u>



# Yellowknife Bear Mines Limited

## SCHEDULE OF INVESTMENTS IN SUBSIDIARY AND OTHER COMPANIES As at June 30, 1971

	Shares		Total	Cost or Nominal Value	Allowance for decline in value at June 30, 1971	Nominal Value as at June 30, 1971 except as noted below
	Free	Escrowed or Pooled				
<b>Shareholdings in Subsidiary Companies</b>						
Admiral Yellowknife Mines Limited	7,500	1,092,500	1,100,000	\$ 1	\$	\$ 1
Manridge Mines Limited	677,722	753,000	1,430,722	1		1
Moher Yellowknife Gold Mines Limited	5	1,000,000	1,000,005	1		1
Neptune Gold Mines Limited	350,005	650,000	1,000,005	1		1
Vallee Lithium Mining Corporation Limited	199,850	438,750	638,600	1		1
				\$ 5		\$ 5
<b>Shareholding in Other Companies</b>						
Brikon Explorations Limited	6,500		6,500	1	\$	1
Columbia Metals Corporation Limited	633	379,534	380,167	1		1
Gripp Lake Mines Limited	10,000		10,000	1		1
Lynx Yellowknife Gold Mines Limited		34,200	34,200	—		—
Mexicanus Explorations — Common	30,000		30,000	300		300 (b)
— Preferred	30,000		30,000	30,000		30,000 (b)
New Blondeau Nickel Mines Limited	75,000		75,000	1		1
Pickering Metal Mines Limited	83,200		83,200	14,726	13,894	832 (a)
Rich Group Yellowknife Mines Limited	154,843	900,000	1,054,843	41,870	13,999	27,871 (a)
Transator Explorations Limited	50		50	1		1
Ungava Copper Corporation Limited	222,134		222,134	1		1
Uranium King Corporation	107,947		107,947	67,461		67,461 (b)
Yellorex Mines Limited	105,000	810,000	915,000	115,200	95,250	19,950 (a)
				\$ 269,563	\$ 123,143	\$ 146,420

(a) Market Value of free shares only — unlisted companies  
(b) cost

### Transactions During Current Fiscal Year

1. 10,000 Common and 10,000 Preferred shares of Mexicanus Explorations purchased.





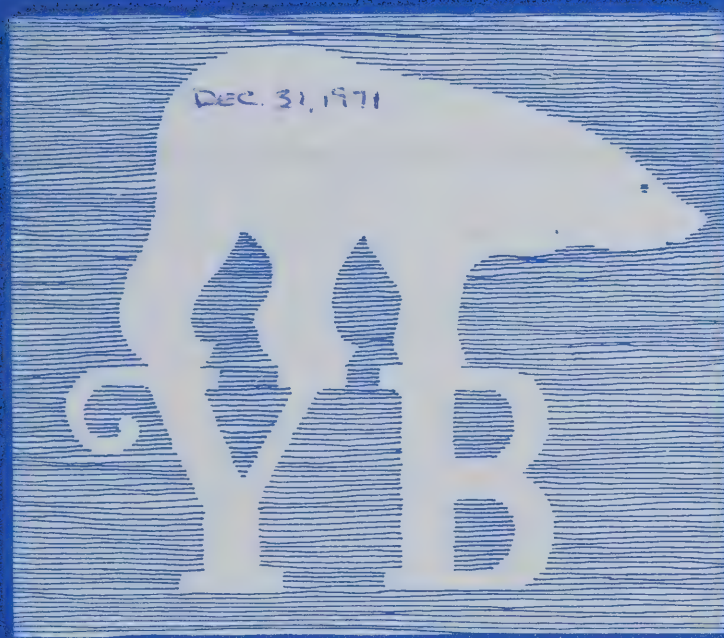












*sub*

**Yellowknife Bear  
Mines Limited.**

TO THE SHAREHOLDERS OF  
YELLOWKNIFE BEAR MINES LIMITED

Enclosed is the six-month report of your Company as of December 31, 1971. The marketable investments and current assets as of that date amounted to \$23,884,303.62. These figures do not include the Hondu-Mitsue oil reserves or other petroleum and mineral holdings which your Company owns, ranging from off the Labrador Coast on the East through Québec, Ontario, Alberta and the Northwest Territories to the Arctic Islands.

Since the figures enclosed with this report were completed, your Company has received a re-assessment from the Department of National Revenue. The re-assessment, including interest, amounts to \$411,480.05, covering the years 1967, 1968, 1969 and 1970. It is the intention of the Company, on the advice of Counsel, to appeal such re-assessment.

**MacKenzie Delta**

Yellowknife Bear Mines Limited holds a 100% interest in a 10-permit 471,000-acre spread located about 100 miles east of Inuvik and 60 miles southeast of the Moyogiak well where Imperial Oil discovered two oil zones in April and June of 1971. Imperial Oil are now operating five drilling rigs in the Tuk Peninsula-Mackenzie Delta area following up previous oil and gas discoveries. Imperial announced early in January, 1971, that an electric log had indicated the presence of hydrocarbons in their Mallik L-38 well which is a follow-up to the Taglu well which discovered gas and condensate during 1971. Map No. 1 shows the Yellowknife Permit Blocks as well as current and past drilling activity in this area.

Yellowknife Bear has granted a seismic option to Union Oil Company of Canada on this 471,000-acre permit block and Union are currently conducting a 150-mile 600% C.D.P. seismic program on this block which will cost an estimated \$500,000.00. By conducting this seismic program at no cost to Yellowknife Bear, Union will gain the right to earn up to a 50% interest in the permit block by drilling two wells, the first of which must be a deep test.

**Upper MacKenzie Valley — See Map No. 2**

In December, 1970, Yellowknife Bear in association with Canadian Delhi Oil Ltd., (now Candel Oil Ltd.) and Michigan Wisconsin Pipeline Co. entered into a multi-well farmout option deal which, if carried to completion, will enable us to earn an interest in almost one-half million acres of Mackenzie Valley Permit lands south of Fort Norman by participating in drilling a number of wildcat wells. As part of the farmout we were able to purchase over 400 miles of C.D.P. seismic data on this permit block which we have since supplemented with further seismic shooting.

Three wells were drilled during the 1970-1971 winter drilling season, resulting in abandonments at Keele River and Police Island and an oil discovery at the East MacKay well. These three wells earned your company a 6.25% interest in 82,035 acres around the East MacKay and Police Islands wells and a 3.125% interest in 83,335 acres around the Keele River Well.

A program of at least three more wildcats is projected for the 1971-1972 winter drilling season and the first of these wells, Candel Tate J-65, is now drilling below 9,000 feet. These three wells will earn Yellowknife Bear an interest in a further 194,811 acres of permit.

In addition to the above program, Yellowknife Bear recently joined Alminex, Canadian Export Gas and Oil, and Canadian Industrial Gas in committing to conduct a \$100,000.00 seismic program on a 52,982-acre Imperial Oil block located along the Mackenzie River about 50 miles downstream from the Norman Wells oilfield. This program will earn our group (in which your company holds a 25% interest) the right to earn a half interest in the Imperial Lease block by drilling a well next year.



## **Great Bear Lake Area**

Yellowknife Bear holds a  $33\frac{1}{3}\%$  interest in 861,687 acres of Permit on and around the south-west section of Great Bear Lake. Last summer we conducted a Marine seismic survey over this permit block and are now awaiting interpretation of this survey.

## **Arctic Islands**

Yellowknife Bears holds 482,223 acres of Federal Permit in four different areas of the arctic islands (see 1971 annual report for details). Drilling activity in the high arctic has now reached an all-time high with 9 rigs now operating there. Gulf Oil entered the Arctic Island play for the first time on January 10, 1972, when they spudded the Panarctic Gulf Dumbbells well on Ellef Ringnes Island. This well is about 35 miles west of the recent Panarctic Kristoffer Bay gas discovery and only about 20 miles from the nearest Yellowknife Bear Permit.

## **Alberta**

Yellowknife Bear had an interest in two deep wildcats in the Caroline Ricinus gas area of the Alberta foothills this winter. The first well, Pan Ocean Caroline, in which your company had an 8% interest, was a dryhole. The second well, Albany Ricinus, is now drilling below 8,452 feet toward a 14,500-foot objective and if successful could result in a significant natural gas discovery.

## **Oil Industry Comment**

The Vice-President of Columbia Gas testified at a Natural Energy Board hearing in Ottawa in January, 1972, that he believed about 15 trillion cubic feet of natural gas reserves had already been discovered in the Mackenzie Delta area, most of it under lands controlled by Imperial Oil. If so, this is close to a sufficient gas reserve to justify a gas pipeline outlet from this area to Alberta via the Mackenzie Valley route even without the Prudhoe Bay gas reserves. This development strengthens the conviction of your Directors that a gas pipeline will be built along the Mackenzie Valley Pipeline corridor very soon and certainly justifies our moves during the past few years to establish a significant land position along this Mackenzie Valley pipeline alley.

## **Opawica Lake Area (Québec)**

Yellowknife Bear Mines Limited has staked a block of 111 claims in the Opawica Lake area of Québec. Initial geophysical work followed by diamond drilling resulted in three intersections of interesting, but less than commercial mineralization, namely:

0.46% Cu. and 0.21 oz. Ag/13 feet.

10.4% Cu. 2.04% Zn. 3.80 oz. Ag/4 feet.

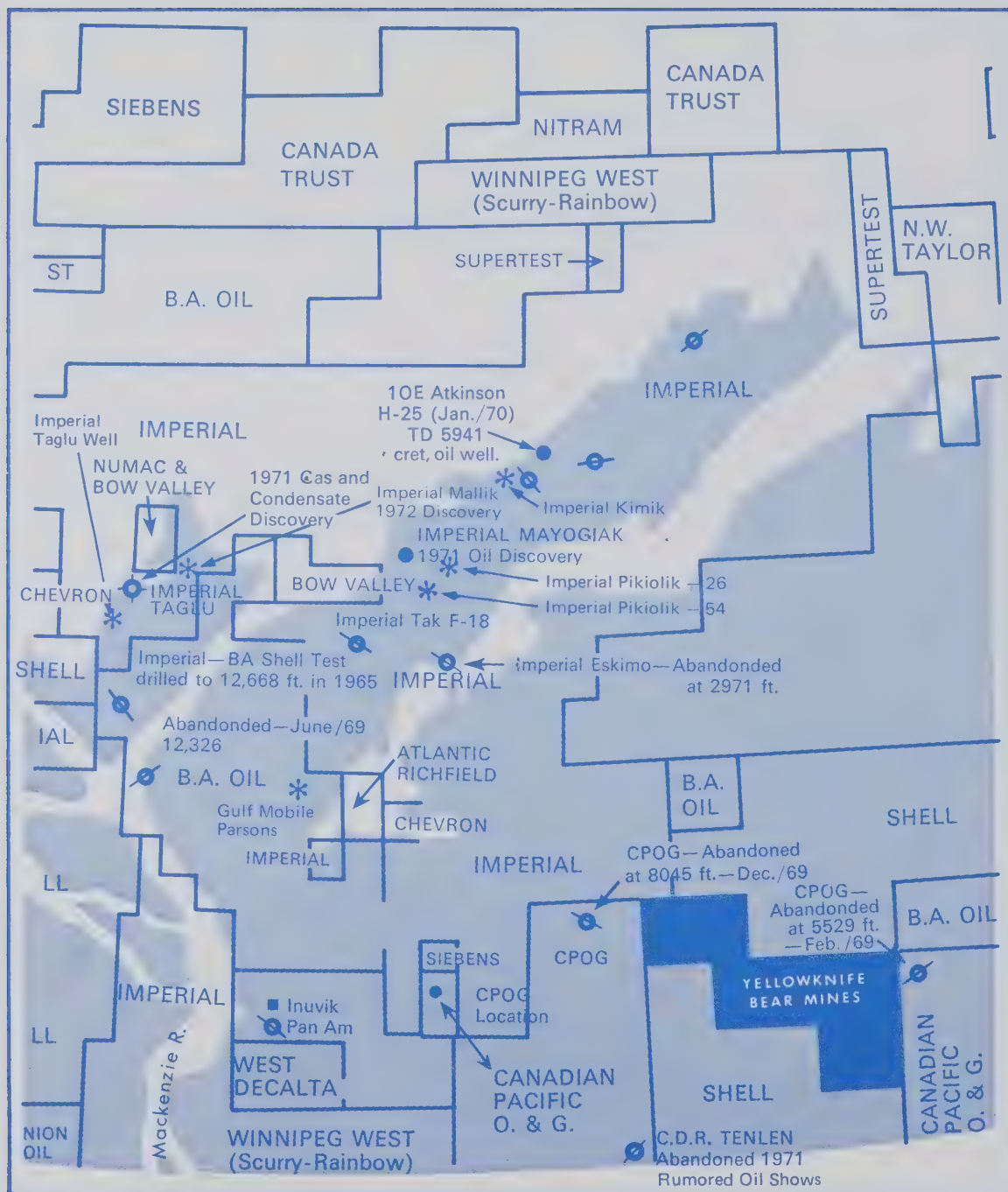
1.34% Cu. 2.74% Zn. 0.32 oz. Ag/3 feet.

The mineralization occurs in a tuff horizon of rhyotite-andesite contact. Further geophysical work along this horizon is now in progress, in the belief that elsewhere greater width of similar material may be found.

On behalf of the Board of Directors,

J. DOUGLAS STREIT,  
President.

Toronto, Ontario,  
January 27, 1972



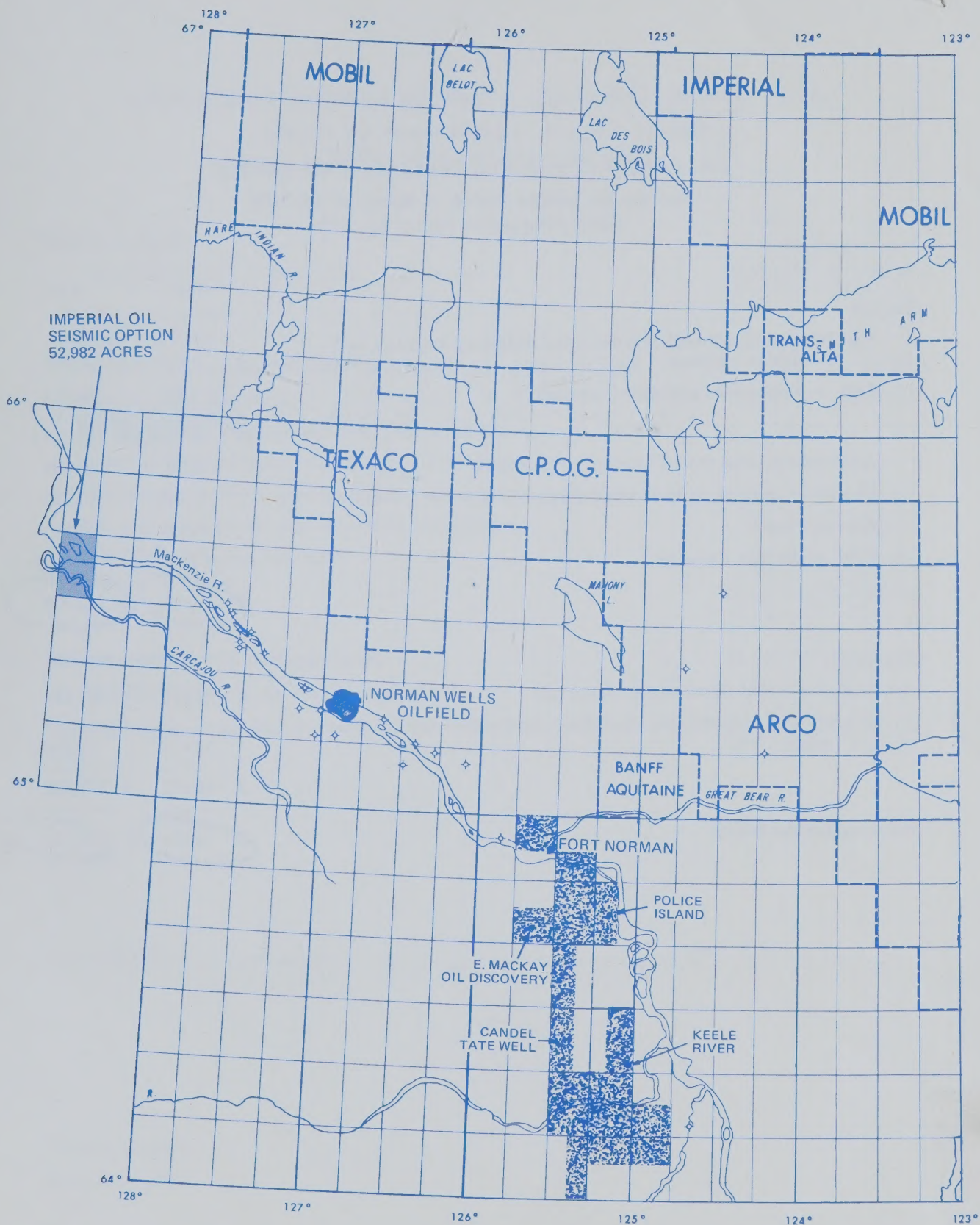
ACREAGE HELD BY  
**YELLOWKNIFE BEAR MINES LIMITED**

in the MACKENZIE RIVER AREA, N.W.T.

**MAP No. 1**

\* Wells drilling — January 1972





MAP No. 2

# UNAUDITED CONDENSED STATEMENT OF INCOME

For the Six Months Ended — December 31, 1971

(With comparative figures for 1970)

	1971	1970
<b>Income</b>		
Participation in oil well revenue after deducting royalties and production expenses	\$ 58,827	\$ 45,257
<b>Less —</b> Exploration and direct expenses — oil	104,621	68,008
	(\$ 45,794)	(\$ 22,751)
Dividends received from Canadian corporations	68,970	83,028
Dividends received from Foreign corporations (net)	45,745	73,480
Interest earned	61,929	43,883
Loss on foreign exchange	( 40,168)	( 15,314)
	<u>\$ 90,682</u>	<u>\$ 162,326</u>
<b>Expenses</b>		
Exploration and development — mining	\$ 51,172	\$ 125,672
General and administrative including shareholders reports and transfer fees	58,430	51,498
	<u>\$ 109,602</u>	<u>\$ 177,170</u>
<b>Net Loss for the Period</b>	<u>\$ 18,920</u>	<u>\$ 14,844</u>



# **UNAUDITED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

**For the Six Months Ended — December 31, 1971**

(With comparative figures for 1970)

	1971	1970
<b>Source of Funds</b>		
Proceeds of sale of investments .....	\$2,443,274	\$ 296,194
<b>Application of Funds</b>		
Net loss for period before depreciation of \$1,456 (1970 - \$1,520) ..	\$ 17,464	\$ 13,324
Purchase of investments .....	666,199	232,295
Cash advances to subsidiary and other companies .....	285	323
Purchase of interest in oil and natural gas reservations .....	13,865	—
Purchase of interest in mining properties and exploration advances (net) ..	6,230	6,934
Oil well development and equipment expenditures .....	246,589	86,536
Dividends declared and paid .....	192,562	192,562
	<u>\$1,143,194</u>	<u>\$ 531,974</u>
<b>Increase (reduction) in Working Capital</b> .....	\$1,300,080	(\$ 235,780)
Working capital — at beginning of period .....	<u>1,507,572</u>	<u>1,421,526</u>
<b>Working Capital — At End of Period</b> .....	<u><u>\$2,807,652</u></u>	<u><u>\$1,185,746</u></u>

Toronto, Ontario.

January 14, 1972.

